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**Top Secret** 219

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NATIONAL INTELLIGENCE DAILY CABLE

Saturday 26 November 1977

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State Dept. review completed

DIA review(s) completed.

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National Intelligence Daily Cable for Saturday, 26 November 1977.

The NID Cable is for the purpose of informing senior US officials.

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CONTENTS

USSR-PLO: Qaddumi Visits Moscow Page 1

RHODESIA: Smith's Announcement Page 2

SOUTH AFRICA: Key Naval Plans Page 6

PORTUGAL: Eanes Doubts Soares Page 8

FRANCE - WEST AFRICA: Exercise Page 9

CHINA-VIETNAM: Le Duan Returns Page 11

INDUSTRIAL COUNTRIES: Economic Page 12

BRIEFS Page 14

Greece  
Philippines  
East Germany - Asia  
USSR-Japan

## USSR-PLO: Qaddumi Visits Moscow

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[ ] Faruq Qaddumi, a senior official of the Palestine Liberation Organization, left Moscow yesterday after a brief visit that produced no public Soviet support for the PLO. The Soviet response to Qaddumi's hasty visit, as well as the continued absence of any high-level criticism of Egyptian President Sadat's visit to Israel, indicates that Moscow wants to leave itself room for maneuver should Egyptian-Israeli discussions lead to a renewed peace conference.

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[ ] Qaddumi, who is chief of the PLO's political department, was in the USSR less than 24 hours, and his visit has thus far gone unreported by Soviet media. The joint statement issued at the end of his talks with Foreign Minister Gromyko contained no direct criticism of Sadat and omitted the usual Soviet reference to a PLO presence at Geneva "on an equal footing" with other delegations. The terse document merely called for "continuous" Soviet-Palestinian consultations and condemned "imperialist and Zionist plots" designed to divide the Arab states.

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[ ] This is very thin gruel for the Palestinians and suggests that Moscow will keep the PLO at arms length during the current period of diplomatic maneuvering. Soviet press reaction to the talks between Sadat and Israeli Prime Minister Begin, moreover, is similarly designed to give anti-Sadat forces in the Middle East only routine propaganda support.

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[ ] The USSR has thus far not issued an official statement on Sadat's visit. Soviet media have impugned the Egyptian President's motives and questioned the trip's achievements, but this criticism has been confined to TASS and broadcast comment as well as some press comment in secondary newspapers.

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[ ] In the wake of the Sadat-Begin talks, the Soviets have been less skeptical than before that the visit by Sadat could improve prospects for reconvening the Geneva talks. Before Sadat spoke at the Knesset, the Soviets were unequivocally negative about the chances of a return to Geneva, but after his talks Moscow Radio reported that Israel supported the dialogue with Egypt in order to convene the conference.

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[ ] The Soviets are primarily concerned at this point with whether they can get the protagonists back to Geneva in the wake of events that threaten to sever Moscow from the peace

[redacted]

process. Earlier this week, a Soviet diplomat in Cairo privately remarked that Arab opposition to the visit will delay any resumption of the conference and that, in any event, Geneva must be more than just a "rubber stamp." Presumably the Soviets believe that Sadat--with US encouragement--is trying to transform Geneva into a showcase for agreements that have been negotiated elsewhere. [redacted]

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## RHODESIA: Smith's Announcement

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[redacted] //Rhodesian Prime Minister Smith's announcement on Thursday on an internal settlement was clearly intended to take advantage of the disarray within the Nationalist Patriotic Front and the current differences among the presidents of the frontline states on how to proceed toward a settlement along the lines of the UK-US proposals. The announcement has given Smith the initiative for the moment. It will be some time, however, before we can determine whether his coming talks with Bishop Abel Muzorewa and Ndabaningi Sithole offer any chance of resolving the Rhodesian problem.//

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[redacted] //Smith has long contended that a settlement reached with moderate black Rhodesian leaders would eventually gain international acceptance. With this in mind, he has courted Muzorewa and Sithole and allowed both men to move about freely inside Rhodesia. He has periodically consulted with both leaders and their subordinates.//

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[redacted] //He has also permitted Sithole to contact guerrilla leaders inside Rhodesia in the hope that Sithole, the founder of the Zimbabwe African National Union, could induce large numbers of the insurgents, most of whom are ZANU adherents but who fight under the banner of the Patriotic Front, to leave the Front to support Sithole.//

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[redacted] //In their contacts with Smith, Muzorewa and Sithole have endorsed the UK-US initiative as a bargaining point, because the national elections prior to eventual independence called for in the proposals offer their best hope of gaining control of an independent government. Both men feared, however, that the proposals were leading to a transfer of power to the Patriotic Front.//

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[ ] //Because they have no armed forces of their own, both had told Smith that they would accept guarantees for whites in an independence settlement and that they were willing to accept the present Rhodesian security forces in an independent Zimbabwe.//

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[ ] //Despite acceding to Smith on these points, both of which Smith had insisted on throughout the UK-US initiative, neither nationalist leader could seriously negotiate unless the talks could meet some standard of international acceptability. Smith's acceptance of the principle of one-man, one-vote was almost certainly intended as a sweetener to enable Sithole and Muzorewa to enter negotiations on a positive note. Who actually gets the franchise will be a subject for negotiations.//

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[ ] //Hard bargaining nevertheless remains. Smith can be expected to hold out for constitutional provisions protecting white interests and providing for a role for the Rhodesian military that Muzorewa and Sithole will find hard to accept. These two nationalists, moreover, remain competitors, and each might be unwilling to accept second place in any kind of settlement.//

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[ ] //Joshua Nkomo and Robert Mugabe, co-leaders of the Patriotic Front, have denounced Smith's statement. Both have insisted that power should be handed over to them since their forces, even though rivals, have conducted the insurgency against Smith. Neither is willing to risk national elections.//

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[ ] //In his press conference on Thursday, Smith did not entirely bar Nkomo and Mugabe from the forthcoming talks, even though he again stated that the two must renounce "terrorism." Although Mugabe is unacceptable to Smith, the Prime Minister has long hoped Nkomo could be induced to break with Mugabe.

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[ ] //Initially, the leaders of the frontline states will probably reject Smith's initiative, but they may not formally respond until they meet to assess the situation. It has been clear for some time, however, that they have despaired of ending the continuing disarray within the Front. Both Kaunda, by promoting Nkomo's interests, and Tanzanian President Nyerere, by advocating national elections, have been seeking alternatives

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[redacted]

to their support of the Front. Neither Kaunda nor Nyerere, moreover, has ever ruled out a place for Muzorewa and Sithole in an eventual settlement.//

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[redacted] //The UK has responded cautiously to Smith's declaration and in effect ignored the fact that he has bypassed the UK-US initiative. The British probably reason that there is little to gain from openly denouncing Smith's move since he clearly is going ahead with it. Indeed, London probably sees Smith's acceptance of the one-man, one-vote principle as a major step forward and presumably hopes that Smith in due course will accept the participation by all the black nationalist leaders.//

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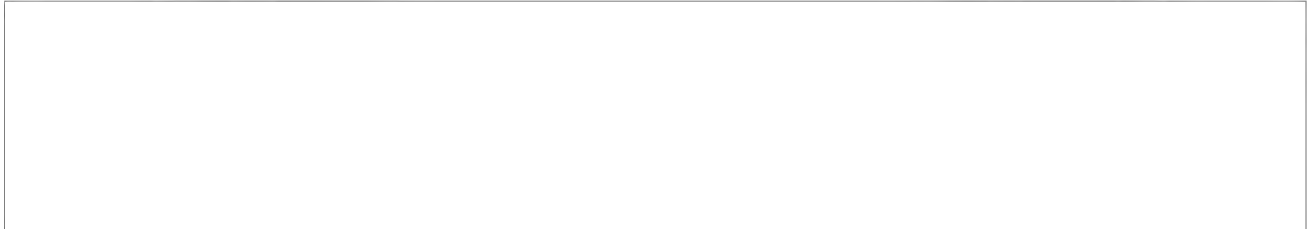
[redacted] //On the other hand, the UK has seen one hope after another founder because of the divisions between Smith and the Patriotic Front and among the black nationalists. It is possible, therefore, that the British may be approaching a point where they might be willing to consider an alternative settlement that falls short of the present UK-US proposal.

[redacted]

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### SOUTH AFRICA: Key Naval Plans

25X1 [ ] South Africa reportedly plans to increase production of Israeli-designed Reshef patrol boats from three to more than 20. The construction program, which would involve several versions of the Reshef, apparently is a key part of the South African Navy's plan to convert from an expensive fleet of large surface ships to a smaller, more efficient coastal defense force.

25X1 [ ] the South Africans plan to build at least six versions of the Reshef, including two for antisubmarine warfare, one to handle helicopters, and three to carry antiship missiles, surface-to-air missiles, or guns. The program will probably take several years to complete because South Africa currently has only three berths for construction of Reshefs.

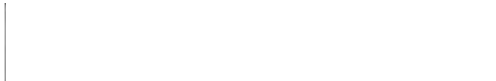
25X1 [ ] The expanded program evolved from an agreement signed two years ago; Israel agreed to provide three Reshefs armed with antiship missiles and permit South Africa initially to build three more. The first Israeli-built boat arrived in South Africa last month.

25X1 [ ] The expansion of the Reshef-class production program reflects the South African Navy's decision to move away from relatively large, expensive ships requiring large crews toward smaller, cheaper naval craft. For several months US defense attaches have noted that the Navy was becoming increasingly hard-pressed to retain enough trained crews for its larger ships, particularly its three frigates.

25X1 [ ] The switch to Reshefs will eventually end the Navy's ability to contribute to Western defense. For several years South Africa has tied many diplomatic appeals to the West to its Navy's potential role in patrolling and defending parts of the South Atlantic and Indian Oceans and the Cape of Good Hope sea routes.



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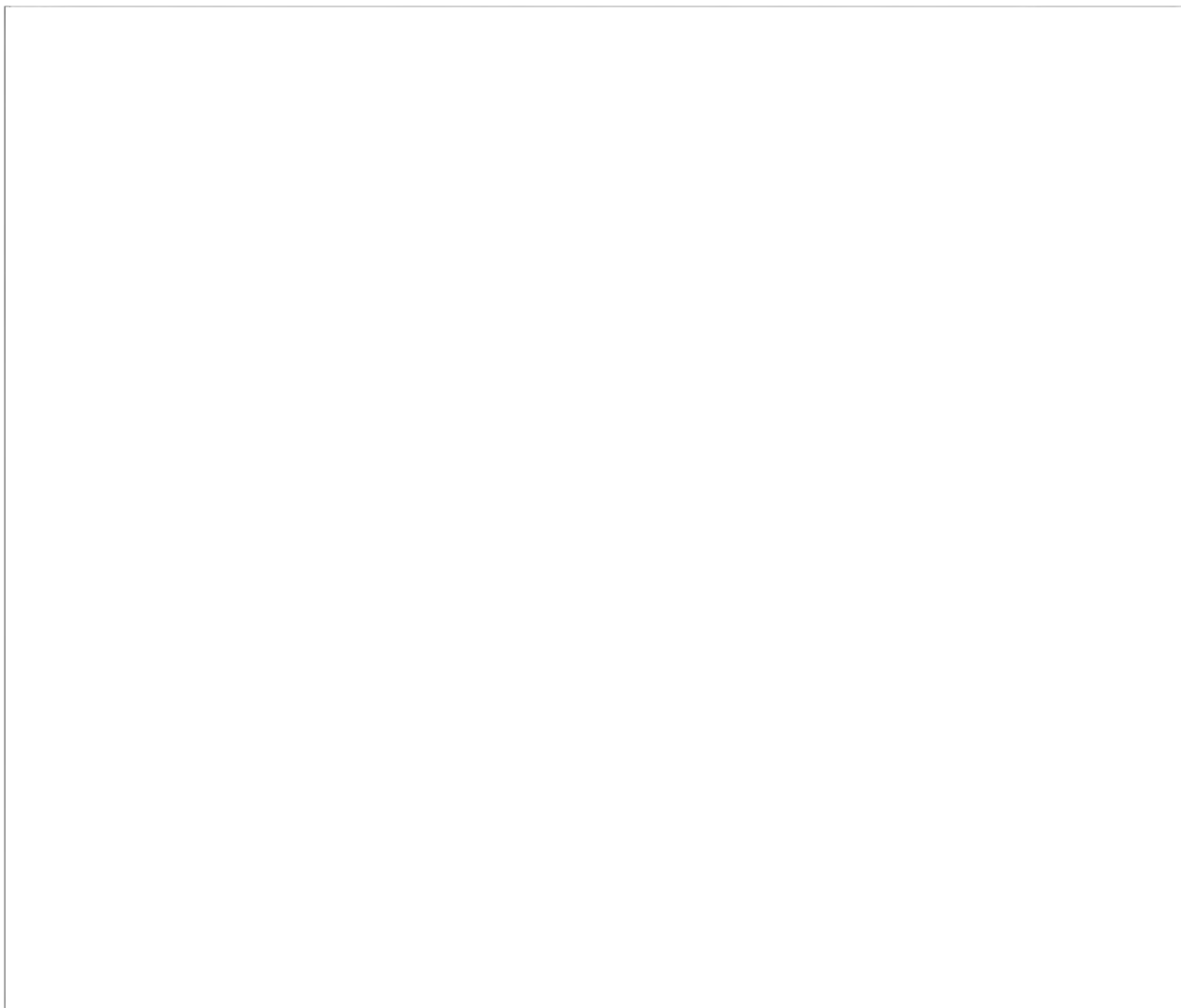
[REDACTED] The decision to move toward a more modest naval force undoubtedly preceded France's announcement last month that it would not deliver two submarines and two destroyer escorts being built for South Africa. The French change in policy probably helped vindicate those in the South African military who have been arguing for a navy consisting primarily of patrol boats.

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[REDACTED] Although it is unclear whether the French will refund the money already paid, the former US naval attache reports that the South African Government may already have committed the remainder of the sum owed France to other projects. [REDACTED]

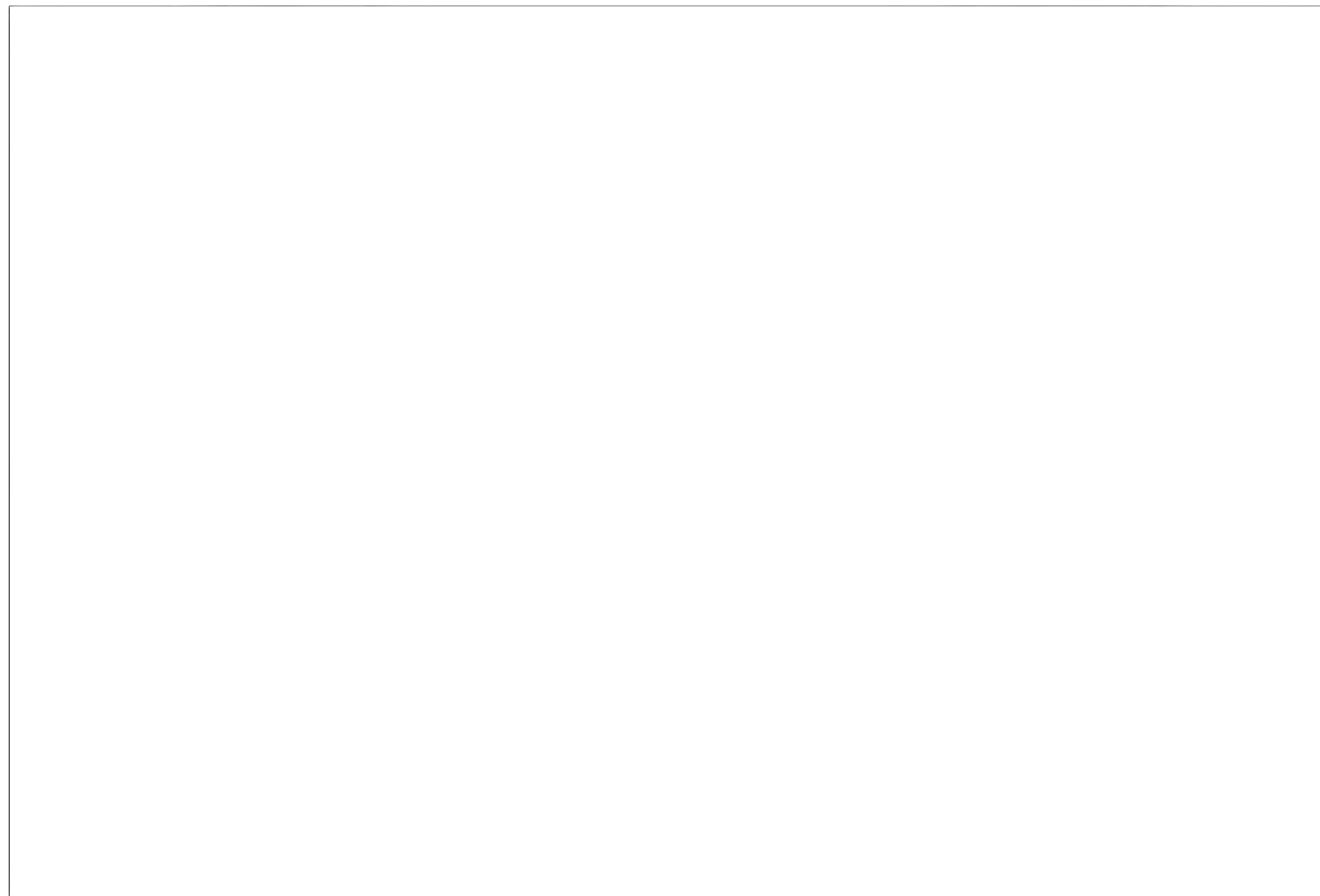
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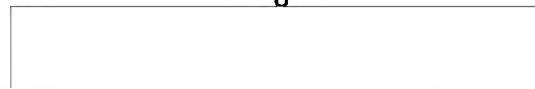
**PORTUGAL: Eanes Doubts Soares**

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 //Portuguese President Eanes apparently believes that Prime Minister Soares will have to resign by the end of the month. So far Soares has been unable to persuade either the Center Democrats or the Social Democrats to join his Socialists to provide majority support for government initiatives in parliament. The Social Democrats and the Center Democrats now insist on a new government by the first of the year.//

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 //Soares has said he will ask for a vote of confidence if an accord is not imminent by Wednesday. He stands little chance of winning such a vote, since the Center Democrats now say that, as matters stand, they would join with the Social Democrats in either defeating a confidence motion or censuring



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[redacted]

the government. Only the Communists seem likely to vote with the Socialists, but Soares has refused to rule with only their support.//

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[redacted] //In a speech to officers and enlisted men yesterday, Eanes pointed out that other democratic mechanisms exist for handling the situation if Soares' strategy fails, and he urged his audience to respect military discipline and reject political pressures from the right or left.//

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[redacted] Eanes does not appear to have thought much beyond the present, and probably clings to hopes that Social Democrats and Center Democrats can be persuaded to support Soares. If such support does not develop, he is committed to following constitutional processes in finding an alternative solution. [redacted]

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#### FRANCE - WEST AFRICA: Exercise

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[redacted] //France has prepared for a bilateral military exercise in Gabon next week by sending Jaguar ground-attack aircraft, additional troops, and a naval detachment to West Africa. French officials insist that the arrival of eight Jaguars and several military transports in Dakar, Senegal, earlier this week is part of the exercise activity and not related to countering activity by the Polisario Front in neighboring Mauritania. [redacted] however, some of the Jaguars have flown combat missions into Mauritania.//

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[redacted] //The US defense attache in Paris reported that the French are airlifting some 350 men via Dakar to Gabon, where they will join the regular French garrison of some 400 men. A French Air Force detachment--including the Jaguars--and a destroyer and frigate will also participate in the exercise. Gabon will contribute a small air and naval force and some army units to the joint operation.//

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[REDACTED] //The arrival of the planes in Senegal on Wednesday created speculation that the French might be carrying out their promise to play a more active role in defending French citizens threatened by Polisario insurgents in Mauritania. French officials have told the US defense attache in Paris that the move is not related to events in Mauritania, but they may be pleased that the exercise provides a convenient and timely means of demonstrating France's ability to intervene quickly in West Africa.//

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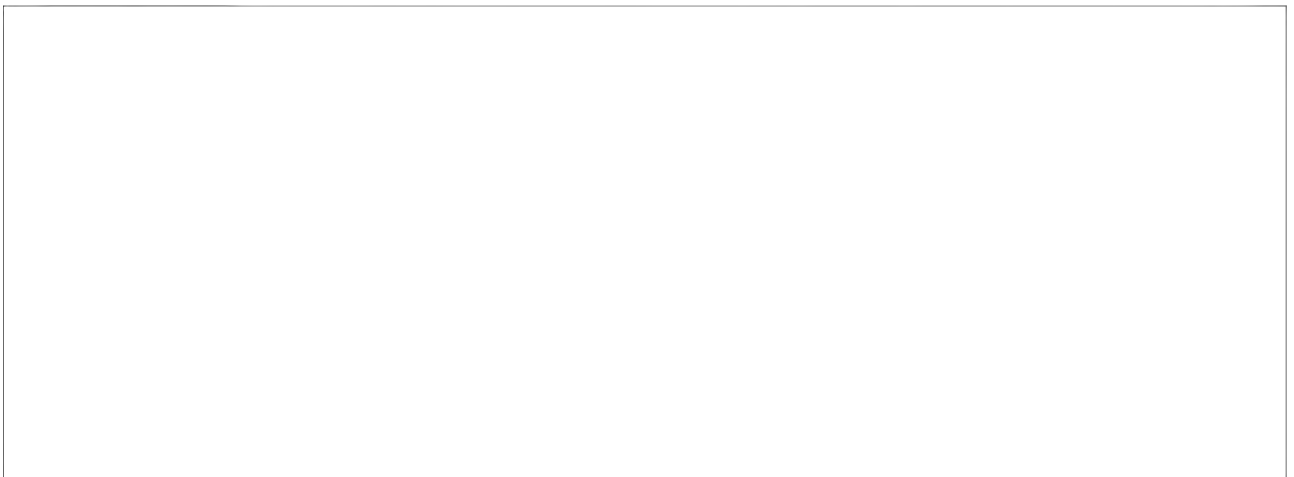
[REDACTED] //Four of the eight Jaguars left Dakar on Thursday and allegedly flew on to Gabon. However, a foreign military attache in the Mauritanian capital told a US official that at least six Jaguars flew lengthy combat sorties on Thursday, presumably from Dakar, to an area in northern Mauritania where the Polisario have been active the last few days. There is no information available on whether the fighter bombers engaged in strikes against ground targets. At least four Jaguars were still in Dakar on Friday, and the US defense attache there believes they may be staying in the country.//

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[REDACTED] //The additional troops and combat aircraft in Gabon presumably will return to France at the conclusion of the week-long exercise. Should they remain in Africa, however, France will be able to increase its military presence in Mauritania should the Polisario guerrillas further endanger French nationals. [REDACTED]

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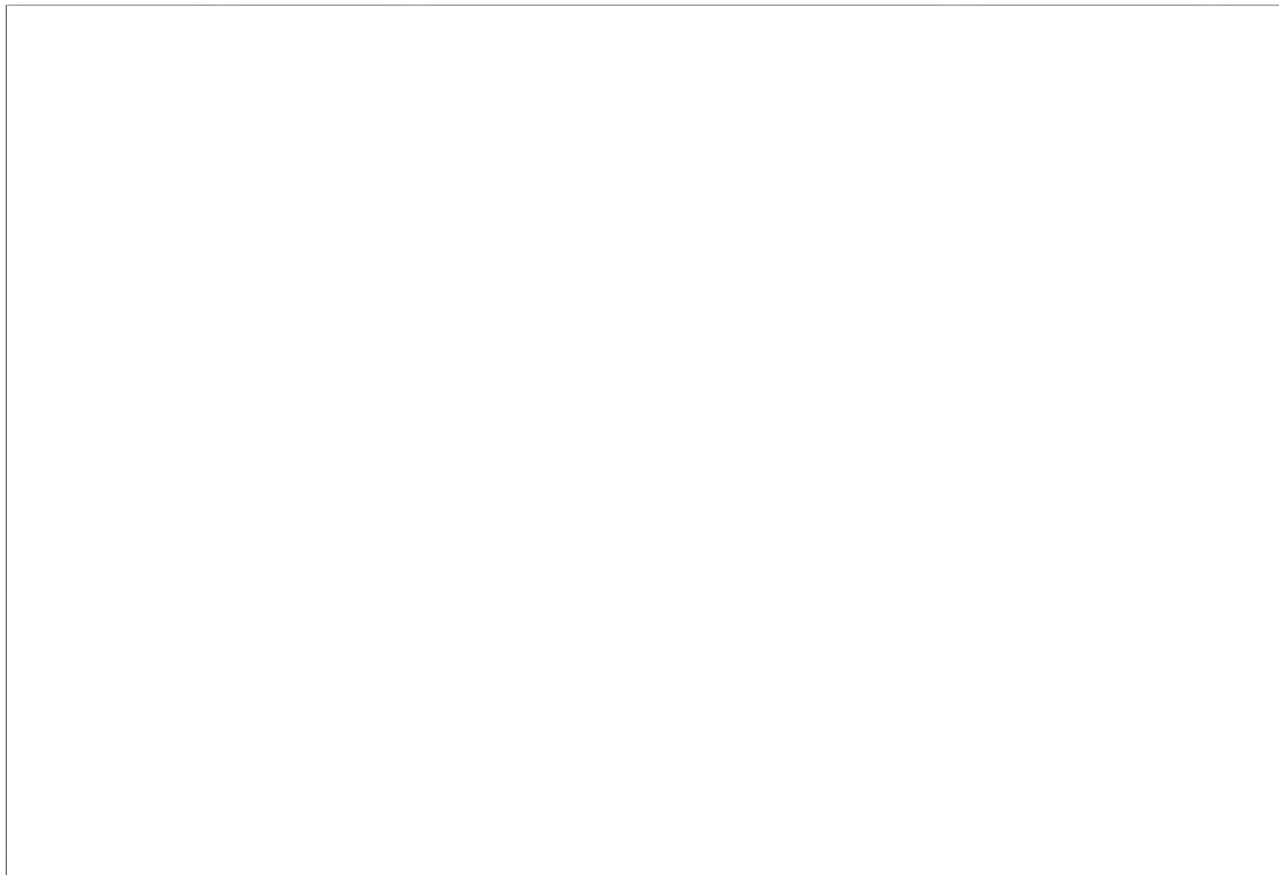
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CHINA-VIETNAM: Le Duan Returns

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 Vietnamese Communist Party leader Le Duan returned to Hanoi yesterday after a six-day visit in China. The visit appears to have been an attempt to balance off his trip to Moscow earlier this month. In this context, the Chinese handled Le Duan and his delegation in a correct but distinctly cool manner.

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 Chinese press coverage of Le Duan's trip was modest, and *People's Daily* failed to publish a color photograph of him with Chairman Hua Kuo-feng--a practice that has become common for favored visitors.

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[ ] The Vietnamese, for their part, did not provide a return banquet before departing China, and as in Le Duan's earlier visit in 1975 no communique was issued to mark his talks with Hua. These comments and protocol slights suggest that the two sides made no headway toward solving the political and territorial issues that continue to strain Sino-Vietnamese relations.

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[ ] Four issues plague relations between Peking and Hanoi:

- Hanoi's pleas for more aid.
- Peking's role in Cambodia.
- Conflicting territorial claims along the Sino-Vietnamese border and in the South China Sea.
- Vietnam's ties to and dependence on the Soviet Union.

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[ ] Three of these issues were outlined in speeches by Hua and Le Duan at the welcoming banquet. Le Duan appealed for aid while Hua Kuo-feng lectured the Vietnamese on the virtues of self-reliance.

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[ ] Le Duan stated in his banquet speech that Vietnam is "determined to preserve and cultivate" its "special relations" with Cambodia as well as with Laos. The Chinese were silent about their role in Cambodia, at least in public. In private, the Chinese probably urged a negotiated settlement of Vietnamese-Cambodian differences, a course Vice Premier Teng Hsiao-ping has publicly recommended.

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[ ] In his banquet speech, Hua invited the Vietnamese to join the Chinese "united front" against the Soviet Union. In response, Le Duan declared Vietnamese adherence to Moscow's assessment of the international situation and shied away from endorsing former Chairman Mao's "three world" theory. [ ]

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#### INDUSTRIAL COUNTRIES: Economic

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[ ] *//The economic recovery in the six non-Communist major foreign industrial countries--Japan, West Germany, France, the UK, Italy, and Canada--has lost steam in recent months.*

Nearly all indicators show practically no real growth in these countries since the first quarter of this year; unemployment is up by more than 10 percent. The only favorable trend has been a substantial slowdown in inflation.//

25X1 [ ] //As a result of the lackluster production trends, predictions of real growth in 1977 and 1978 have been revised downward in recent months. Chase Econometric last month cut its forecast for real growth in the six countries in 1977 to 3.2 percent. In May, it estimated that real growth would increase by 4.3 percent. Forecasts by the Organization for Economic Cooperation and Development, Data Resources, and CIA have been similarly reduced.//

25X1 [ ] //Seasonally adjusted industrial production in the six countries as a group declined by more than 3 percent from March through September, with variations among individual countries:

- Italian industrial production plummeted to 12 percent below its December 1976 peak, even with a 6-percent rebound in September.
- Production in West Germany, France, and the UK dropped in September to a level 2 to 4 percent below that of March.
- Japan and Canada managed to hold their industrial production about even.//

25X1 [ ] //The slowdown in production has compounded severe unemployment problems. Even when production was growing in 1976, unemployment was only holding steady. This year unemployment has skyrocketed. In five of the nations--data are unavailable for Italy--5.7 million people were jobless in September, up from 5.1 million in January. Unemployment has worsened unevenly.

- France and Canada have seen their unemployment increase this year by 25 percent and 15 percent respectively.
- Joblessness in Japan and the UK has grown to about 10 percent above January levels, despite a sharp decline in Japan's unemployment in August.



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-- Unemployment in West Germany has crept up steadily to a level 2 percent higher than last January.

-- In Italy, where a major revision in unemployment statistics is under way, joblessness has increased substantially since the beginning of the year.//

25X1 [ ] //The real value of imports by the six countries as a group fell about 4 percent from the fourth quarter of 1976 through the third quarter of this year. The decline, however, bottomed out in the third quarter. Italy had the largest decline in imports--a 16-percent drop from the fourth quarter of 1976 through the third quarter of 1977. Only West German imports increased this year through the third quarter.//

25X1 [ ] //The brightest economic trend in these six countries has been a substantial reduction in inflation. As a group, their seasonally adjusted index of consumer prices increased at an annual rate of nearly 12 percent in the fourth quarter of 1976. In contrast, in the third quarter of 1977, inflation was less than 9 percent.//

25X1 [ ] //Britain and Italy recorded the largest drops in inflation. British inflation, hitting a 22-percent rate late last year, declined to 11 percent in the third quarter. Italian inflation subsided to a pace of about 12 percent in October, compared with a 28-percent rate in the fourth quarter of 1976. In contrast, inflation in France has gone back up after a dip in early 1977, and inflation in Canada is now more rapid than in late 1976. Only Japan and West Germany have brought their inflation rates down to pre-1973 norms. [ ]

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#### BRIEFS

##### Greece

25X1 [ ] The Greek Student Union has asked the government for permission to organize a march on the US Embassy in Athens on Sunday to commemorate the student demonstrations in 1973 that brought down the Papadopolous regime. Such marches have been an annual event since the fall of the Ioannides junta in 1974, and a similar demonstration in April 1975 caused some damage to the Embassy.

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[ ] Last year, the government persuaded the students to stay away from the Embassy. One of the last groups to agree to that change was Andreas Papandreou's Panhellenic Socialist Movement, and student followers of Papandreou are insisting again this year that the Embassy be the target.

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[ ] Papandreou, whose party came in second in Sunday's election, says he intends to moderate his earlier leftist rhetoric. The Movement's attitude toward the march will give one indication of the depth of Papandreou's commitment to moderation and of his ability to keep his followers in line. [ ]

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#### Philippines

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[ ] Philippine President Marcos is unlikely to carry out the death sentences a military court imposed yesterday on his chief political rival and two Communist guerrilla leaders. Opposition leader Benigno Aquino, in prison since the imposition of martial law five years ago, refused to accept the court's legitimacy and demanded a civilian trial. The two Communists have been in custody for nearly two years.

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[ ] Marcos probably is satisfied that he has proven charges of subversion against Aquino. He might commute Aquino's sentence and send him into exile, and imprison the two Communists. Besides being unwilling to make martyrs of the three men, Marcos wants to avoid calling attention to abuses of human rights in the Philippines, especially when he is attempting to negotiate a new military bases agreement with the US. [ ]

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#### East Germany - Asia

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[ ] East Germany is intensifying its diplomatic activity in the Far East and South Asia, apparently in an effort both to expand its trade and to enhance its political image as a sovereign state.

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[ ] Party leader and chief of state Honecker will visit North Korea, Vietnam, and the Philippines in December, and plans to go to India sometime next year. Party secretary Mittag recently left Japan after trade negotiations, and Foreign Minister Fischer will be there next month. Mongolian chief of state Tsedenbal was in East Germany in May, where he signed a treaty of friendship and cooperation. The Burmese Foreign Minister

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visited East Berlin in late October. East Germany reportedly will soon send trade delegations to Singapore, Malaysia, and Indonesia. [REDACTED]

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USSR-Japan

[REDACTED] An article in *Pravda* today voices concern that a Sino-Japanese peace and friendship treaty, including the anti-hegemony clause desired by Peking, may soon be signed. The signed story, by "Commentator," one of the most authoritative Soviet pseudonyms, reiterates that such a clause could only be construed as anti-Soviet and "would negatively affect Soviet-Japanese relations as a whole."

[REDACTED] The *Pravda* article particularly attacks Japanese supporters of the treaty who assert that an anti-hegemony clause would only reflect an abstract concept; the article claims that the clause would instead constitute an "alliance" with China.

[REDACTED] The Soviets recently have been expressing concern that conclusion of a treaty might be imminent. Chances for movement on the treaty by either China or Japan, however, are slim. [REDACTED]

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